

# Appendix III

## Key Points of State Auditor's Report

# Key Points of Report

## An Audit Report on the State Use Program

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September 2000

### Overall Conclusion

Disputes over open records and inadequate resources have impeded the ability of the Texas Council on Purchasing From People With Disabilities (Council) to oversee the State Use Program (Program). The Council lacks clear access to critical financial and performance information it needs to ensure that the Program is run in a manner consistent with the best interests of the State. The Council has not formulated clear criteria for deciding which goods and services are suitable for the Program. These factors jeopardize the Program's ability to employ persons with disabilities and provide quality products and services to the State. The Program generated sales of over \$51 million and provided employment for more than 5,700 citizens with disabilities during fiscal year 1999.

### Key Facts and Findings

- The central nonprofit agency that administers the Program has resisted the Council's efforts to obtain the information it needs to effectively oversee the Program. Although the central nonprofit agency derives virtually all of its revenue from the Program, it has asserted that many of its records are proprietary and therefore are not available to the Council or the public.
- The Council has no administrative rules or documented policies for deciding which goods and services are suitable for the Program. The lack of clear criteria creates uncertainty for affected stakeholders and could result in approval of contracts that do not align with the intent of the Program.
- The central nonprofit agency has spent approximately \$468,000 over the past three years on items that do not directly benefit community rehabilitation programs participating in the Program. Approximately \$214,000 of this amount was spent in litigation against the Council.
- The central nonprofit agency lost over 650 checks worth in excess of \$3.6 million due to weak financial controls over payment processing
- Although the central nonprofit agency needs to improve its product development research, its marketing function has contributed to an increase in the Program's overall sales from \$36.6 million in 1995 to \$51.7 million in 1999.

### Contact

Cynthia L. Reed, CPA, Audit Manager, (512) 936-9500



## Office of the State Auditor

Lawrence F. Alwin, CPA

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*This audit was conducted in accordance with Government Code, Sections 321.0132 and 321.0133*